

Bearbull Private Banking Investment Strategies Kuwait KWD

Bearbull exclusivity since 2016

April 2024

Slight profit-taking in April

NEGATIVE PERFORMANCES FOR THE THREE BEARBULL KUWAIT PRIVATE BANKING INVESTMENT STRATEGIES IN APRIL

Bearbull Kuwait Pension Strategy	« Low risk »	Apr	- 2.25%	Year-to-Date	- 0.48%
Bearbull Kuwait Pension Strategy	« Medium risk »	Apr	- 2.33%	Year-to-Date	+ 1.14 %
Bearbull Kuwait Pension Strategy	« Dynamic risk »	Apr	- 2.41%	Year-to-Date	+ 2.78%

Comments (performances in KWD)

Financial markets retreated in April, driven by a change in investor psychology. Indeed, all three BearBull private banking Kuwait investment strategies fell this month. The low-risk strategy lost -2.25%, the moderate-risk strategy followed a similar path, falling -2.33% and the dynamic-risk approach lost -2.41%. Year-to-date, however, performances are still favourable for two of the three indices (-0.48%, +1.14% and +2.78%, respectively). Bond markets are in the red, dragged down by concerns about central banks' monetary policies. The domestic segment fell slightly by -1.60%, while international bonds were down by a similar -2.52%. In cumulative terms, the two asset classes are performing all the more negatively because of this bearish episode (-2.64% and -4.55%, respectively). Equity markets also bore the brunt of the change in rate cut expectations. The domestic class fell by -3.60%, and their international counterpart posted a larger decline (-3.71%). Since January, however, the two asset classes have posted satisfying cumulative gains of +3.78% and +4.84%, respectively. The real estate segment was the most severely impacted by the rise in US yields, with the international class falling by -5.55%. The domestic segment also suffered a slight momentum decrease (-0.10%). After this decline, the domestic segment is still posting positive year-to-date performances of +7.28%, whereas the international asset class is in the red (-6.99%). Commodities continued their upward trend in April and were the only segment in positive territory in April. The asset class gained +1.16% this month, with a cumulative gain of +11.64% since January. Private equity and hedge funds weakened in April (-2.97% and -0.54%, respectively).

Financial market developments (performances in KWD)

Significant change in investor sentiment and stock market sentiment in April. Price consolidations in most asset classes were again triggered by a change in investor sentiment in April when US economic statistics reinforced uncertainties about the Fed's expected change in monetary policy in June. The interruption of the downward trend in inflation and the resilience of the labour market was enough to completely alter expectations of interest rate cuts by the Fed, despite 1st quarter GDP growth (+1.6%) falling well short of expectations (+2.5%). The Fed's pivot, due to start in June and be followed by five cuts in 2024, is now only expected by consensus in December, even as fears of a rate hike resurfaced. This radical change in sentiment led virtually all financial assets to suffer profit-taking after five consecutive months of gains had pushed the S&P500 +25% higher than its late-October 2023 low. The -4.08% consolidation of the US index in April seems relatively limited in this context, as does that of the MSCI world index, down -3.71% after a similar five-month rise. Bond markets fared no better, slipping -2.52% overall. There was also a very high correlation of performance, similar to that of the equity markets. Most markets slipped by -1 to -3%, with US bonds falling by -2.53%, while the UK market suffered the sharpest contraction (-3.21%) among developed markets. Securitized real estate also suffered significant selloffs (-5.55%), particularly in the US (-7.16%), in direct correlation with the change in investor sentiment regarding the evolution of US monetary policy. In Switzerland, the decline was limited to -2.47%, in a more positive context supported by the already-actualized change in the SNB's monetary policy. Commodities once again played their role as performance stabilizers in diversified strategies, turning in a positive performance (+1.16%), thanks to the contribution of precious metals (+3.63%) and industrial metals (+12.56%).

PERFORMANCES BY ASSET CLASS

APRIL

+ 1.16%	Commodities
- 0.10%	Kuwaiti Real Estate
- 0.54%	Hedge Funds
- 1.60%	Kuwaiti Sukuk
- 2.52%	International Bonds
- 2.97%	Private Equity
- 3.60%	Kuwaiti Equities
- 3.71%	International Equities
- 5.55%	International Real Estate

YTD

+ 11.64%	Commodities
+ 7.28%	Kuwaiti Real Estate
+ 5.21%	Private Equity
+ 4.84%	International Equities
+ 3.78%	Kuwaiti Equities
+ 3.07%	Hedge Funds
- 2.64%	Kuwaiti Sukuk
- 4.55%	International Bonds
- 6.99%	International Real Estate



COMMENTS BY ASSET CLASSES

Bonds

Government 10-year yields tightened again in April, by around 40 bps in the US and UK, and 30 bps in Europe. Against this backdrop, all bond indices recorded declines of around -1 to -3%, with the high yield index achieving the best result in the universe opposite. The resilience of inflation in the US and its labour market is overshadowing the slowdown in growth in Q1, prompting the Fed to remain in wait-and-see mode before implementing its policy change. Despite even weaker economic conditions in Europe and a downward trend in inflation, correlation between markets remained high, also pushing up yields in euros and sterling. Risk scores are positive and remain in the "buy" zone. Prospects of capital gains are present at these yield levels.

Equities

Equity markets had not reacted to the change in expectations regarding the Fed's pivot date and the contraction of rate cuts from six to one in 2024 until early April. Today's consolidation of around -4% in equity indices take this factor into account, without giving it primary importance. Earnings growth prospects still seem to be the main trend-setting factor for equity markets. In this respect, the results published to date for Q1 seem rather encouraging. Valuations are high, particularly in the US. Quantitative and technical risk scores have fallen after the April price consolidation. Overall scores have improved.

Commodities

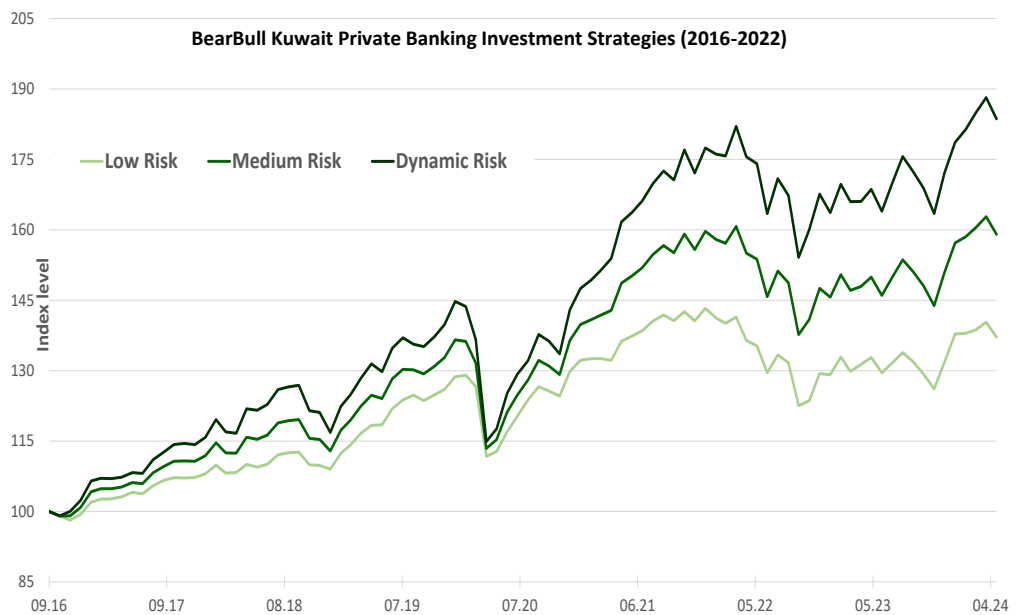
The commodities segment was one of the few to break the neutral performance barrier in April. Indeed, the asset class continued its upward trend with a gain of +1.16%. Precious metals, and gold in particular, drove the segment higher this month. The positive rally in precious metal prices continued in April, with gold briefly surpassing its all-time high of \$2431 an ounce on April 12, despite a shift in market sentiment away from expectations of a rate cut in June.

Real Estate

Securitized real estate followed the trend in the interest rate markets, falling by -5.55% internationally. In our view, this downturn reinforces the segment's attractiveness against a backdrop of falling interest rates. Because of this profit-taking, the asset class is deeper in the red YTD (-6.99%).

BearBull Kuwait Private Banking Investment Strategies – Performances in KWD										
	3 last months			YTD	Current year				Annualized Perf.	
	February 2024	March 2024	April 2024	current year	1st quarter	2nd quarter	3rd quarter	4th quarter	2023	2016 to this day
Bearbull Kuwaiti PB "low risk" (65% fixed income)	0.52%	1.19%	-2.25%	-0.48%	1.81%				6.71%	4.40%
Bearbull Kuwaiti PB "medium risk" (45% fixed income)	1.23%	1.49%	-2.33%	1.14%	3.55%				7.95%	6.53%
Bearbull Kuwaiti PB "dynamic risk" (25% fixed income)	1.94%	1.79%	-2.41%	2.78%	5.31%				9.17%	8.64%
Sub-indices										
Kuwaiti Sukuk	-0.48%	0.90%	-1.60%	-2.64%	-1.05%				6.08%	1.09%
International Bonds	-1.26%	0.55%	-2.52%	-4.55%	-2.08%				5.71%	-1.04%
Kuwaiti Equities	2.20%	-1.64%	-3.60%	3.78%	7.65%				-7.24%	14.07%
International Equities	4.24%	3.21%	-3.71%	4.84%	8.88%				23.79%	11.21%
Kuwaiti Real Estate	4.58%	1.80%	-0.10%	7.28%	7.39%				2.37%	15.30%
International Real Estate	-0.41%	3.18%	-5.55%	-6.99%	-1.53%				8.67%	0.46%
Commodities	0.87%	4.73%	1.16%	11.64%	10.36%				-4.26%	6.93%
Hedge Funds	0.92%	1.26%	0.54%	3.07%	2.52%				3.76%	2.86%
Private Equity	4.13%	3.39%	-2.97%	5.21%	8.43%				43.28%	14.73%

Sources : BearBull Global Investments Group Limited, Bloomberg



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The systematic diversified strategies of the Bearbull Kuwait Private Banking Investment Strategies have produced annualized returns of +4.40% (Low risk) to +8.64% (Dynamic risk) since 2016.

The composition of our strategies is available upon request